

VZCZCXRO5742
RR RUEHCN RUEHGH RUEHVC
DE RUEHGZ #0197/01 0440834
ZNR UUUUU ZZH
R 130834Z FEB 07
FM AMCONSUL GUANGZHOU
TO RUEHC/SECSTATE WASHDC 5776
INFO RUEHOO/CHINA POSTS COLLECTIVE
RUCPDO/USDOC WASHDC
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC
RUEAIIA/CIA WASHDC
RUEKJCS/DIA WASHDC
RHHMUNA/HQ USPACOM HONOLULU HI

UNCLAS SECTION 01 OF 04 GUANGZHOU 000197

SIPDIS

SENSITIVE

SIPDIS

USDOC FOR 4410/ITA/MAC/MCQUEEN
STATE ALSO PASS USTR/CHINA OFFICE
USPACOM FOR FPA

E.O. 12958: N/A

TAGS:

SUBJECT: Making Guangxi a Harmonious Society

1. (U) Summary: Guangxi leaders vow to create a harmonious society in 5 to 10 years through careful implementation of the 11th, and possibly the 12th, Five Year Plans. Leaders emphasized the need to increase urbanization and industrialization, improve rural conditions, and raise the standard of living in order to meet this ambitious goal. Septel reports on the Consul General/American Chamber of Commerce-South China trip to Guangxi, January 23-26. End Summary.

PROVINCIAL EXPECTATIONS HIGH

2. (U) Guangxi Development and Reform Commission (DRC) Deputy Director General Wu told the Consul General January 24 that his goal is to achieve a "rich, harmonious, civilized" society in the next 5-to-10 years. The DRC will implement the 11th 5-Year Plan (2006 to 2010) via expanding industrialization, developing the Socialist New Countryside, and raising the standard of living for both rural and urban inhabitants. The Deputy Director described Guangxi's industrialization as an "axis with 2 wings." The "Axis" is the industrial corridor of Nanning, Liuzhou, and Guilin; the "West Wing" is comprised of the Beibu Gulf (Tonkin) cities of Beihai, Qinzhou, and Fanchengang; and the "East Wing" consists of the inland transport hubs of Hezhou, Yulin, and Guigang that connect to Guangdong. (Note: The poorest areas of Guangxi, the prefectures of Hechi and Baise, are nowhere in this development plan. End Note). By 2010 the DRC intends to increase the urbanization rates of Nanning, Liuzhou, and Guilin to 40% (currently, 33% of Guangxi's total area is urbanized, about 10% below the national average). Through industrialization and urbanization, the Deputy Director General expects Guangxi's 2010 GDP to reach RMB 650 billion (USD 83.9 billion), and per capita GDP to increase from USD 1,600 to USD 1,800. In 2015, the DRC projects the GDP to reach RMB 1 trillion (USD 129 billion), with a per capita GDP of USD 2,500. Finally, in 2020, the DRC expects the GDP to reach RMB 1.5 trillion (USD 194 billion), with a per capita GDP of USD 3,000, which meets China's definition of a "moderately well-off" society.

3. (U) The Deputy Director said Guangxi would achieve these lofty goals specifically through:
-- improving rural village construction;
-- raising industrial value added from 33% of the GDP to 40% by 2010 by focusing on new industries (metallurgy, automobile manufacturing, and petro-chemicals);
-- developing a logistics and finance service industry, with Nanning as an expo center;
-- promoting regional cooperation through ASEAN and the Beibu Gulf

Area (especially in Guangxi's West Wing port cities);
-- building infrastructure by developing ports, railways, roads (highways from Nanning to both Beihai and Pingxiang at the Vietnam border are already complete), energy sources (specifically nuclear, wind, and hydro-electric power) and irrigation and flood prevention;
-- cultural enhancement through education, science, and technology while preserving the heritage of Guangxi's ethnic minorities;
-- increasing farmers' income (part of the Socialist New Countryside program). The Deputy Director said that by 2010, the urban population will have a minimum per capita income of 12,000 RMB (1,548 USD) while farmers will have a per capita income of 3180 RMB (492 USD).

14. (U) He further told consulate officers that government officials are concerned about the environment. Officials are now evaluated on the basis of reducing environmental pollution and energy consumption per unit of GDP, while increasing total GDP. The Deputy Director pointed out that Guangxi achieved a 2% reduction in pollutant discharge in 2006, despite nearly 4% of GDP growth.

15. (U) When asked about fair land compensation to farmers, whose land may be taken due to industrial or infrastructural development, the Deputy Director said any problems were likely the result of a misunderstanding and could be resolved with better communication. The difference between the land purchase price and the compensation to farmers is either put toward past or future road and water infrastructure improvements or paid directly to village associations rather than to individual farmers. The DRC claims that government is improving laws to ensure fair compensation to farmers.

GUILIN

GUANGZHOU 00000197 002 OF 004

16. (U) Guilin DRC Deputy Director General Liu pointed out that the environment is Guilin's key attraction as a tourist city and, as a consequence, industrial development is below average for Guangxi. Guilin's pillar industries (in addition to the tourist industry) are: machinery, bio-pharmaceutical, food and drinks, car parts and rubber. In the 10th 5-Year Plan period (2001-2005), Guilin's GDP averaged annual growth of 10%. By 2005, Guilin's GDP reached RMB 50 billion (USD 6.5 billion), while government tax revenues were RMB 5.1 billion (USD 658 million). Spending on fixed asset investments was RMB 19.8 billion (USD 2.6 billion). The Deputy Director added that during the next five years (2006-2010), Guilin aimed to achieve annual GDP growth of 10%, annual tax revenue growth of 12% and fixed asset investment growth of 12%. Guilin's GDP growth in 2006 was 13.7%, but the Deputy Director claimed, this was not due to overheating of the economy. In fact, such growth was average for Guangxi, and perhaps not high enough.

BUILDING THE SOCIALIST NEW COUNTRYSIDE IS NOT SO EASY

17. (U) In response to specific questions from the Consul General, the Deputy Director said that Guilin values IPR, and that IPR violations do not exist in Guilin. There was a significant urban-rural wealth gap, however, and the Deputy Director said that in 2005, the per capita income of rural residents had reached RMB 3,000 (USD 387), while urban residents' per capita income reached RMB 10,000 (USD 1,290). The Deputy Director said the urban-rural income gap had existed since the founding of New China, but that the wealth gap was being narrowed and urbanization was speeding up in impoverished counties such as Longsheng (a national-level impoverished county), Gongcheng, Ziyuan and Guanyang (3 provincial-level impoverished counties). The Deputy Director said the government had set up an Agricultural Technology Promotion Office to educate farmers about modern agricultural techniques, established a Poverty Relief Office to coordinate these kinds of efforts, and was now providing modest, no-interest loans to farmers. Guilin's Foreign Affairs Office (FAO) representative added that each government agency was assigned to head a poverty-relief project

in an impoverished county. Regarding the most difficult aspects of poverty relief, the Deputy Director said stable funding was problematic and projects including road construction, drinking water supplies, and free education initiatives were all under-funded. The Deputy Director also said that changing the mindset of the rural residents was difficult, as rural farmers often prefer the old ways of doing things and were unwilling to adopt new technologies.

LIUZHOU

18. (U) In Liuzhou, Agricultural Bureau Deputy Director Li told us that the city's agricultural industry added RMB 10.5 billion (USD 1.4 billion) to Liuzhou's economy in 2006. The Deputy Director noted that while this figure is lower than Liuzhou's neighbor, Guilin, Guilin's rural population is 6 million, while Liuzhou's rural population is only 2 million. Primary crops in Liuzhou are: rice, sugarcane, sub-tropical fruit, silk, tea, vegetables, and Chinese herbal medicines. The two most important crops are rice (the staple crop) and sugarcane (the primary economic crop). The Deputy Director explained there are 2 rice crops each year, and Liuzhou produces 2 million mu (329,400 acres) or approximately 800,000 tons of rice per year (Note: One mu, the Chinese standard measure for land area, is equal to 0.1647 acre or 7176 square feet. End Note). Liuzhou produces 1.3 million mu (214,110 acres), or 6 million tons of sugarcane per year; Liuzhou's 11 sugar refineries process 700,000 tons of sugar annually, 2/3 of China's total sugar output. Liuzhou wants to increase its sugarcane output to further support countryside development; the Agriculture Bureau is interested in obtaining higher producing species from the United States.

19. (U) The Deputy Director said Liuzhou has 600,000 mu (98,820 acres) of fruit orchards, producing 270,000 tons of fruit crop each November. The annual fresh fruit crop only lasts three to four months and, in order to increase income, the Agricultural Bureau would like to establish more fruit processing plants in Liuzhou. Currently, there are very few value-added agricultural processing plants. Two additional crops without local processing facilities

GUANGZHOU 00000197 003 OF 004

are silk and tea. In 2006, Liuzhou silk worm farmers raised 26,000 tons of silk cocoons and produced 5,000 tons of silk. However, because there are few local garment factories to convert silk to retail products, silk is usually sent to Jiangsu and Zhejiang. As for the tea industry, Liuzhou produces about 100,000 mu (16,470 acres) of leaves per year; this crop is mostly sold to processors in other provinces, including Fujian. However, vegetables are generally produced for the local market, though some crops are sold in Guangdong. The Deputy Director said Liuzhou harvests 1.3 million mu (214,110 acres) of vegetables each year, which yields 1.6 million tons of crop. Finally, the Deputy Director said herbal medicine crops are mostly harvested wild, so there is little organized farming of this product. Further development of these secondary crops would add support to overall countryside development.

110. (U) In an effort to develop farmer knowledge, Liuzhou's government subsidizes vocational training and technical training to increase agricultural yields. Internet websites provide agricultural product and technology information. However, few farmers have internet access. Nonetheless, the Deputy Director explained many farmers have televisions and telephones and can call local television stations and request the broadcast of programs which provide agricultural technology information.

GUILIN: DAXIONG VILLAGE, SUCCESSFUL DEVELOPMENT IN RURAL GUANGXI

111. (U) Deputy Director of Guilin Agricultural Bureau Lu led Congenoff on a tour of Daxiong Village, outside of Guilin, which has 159 households with a total population of 728. Last year, the village's per capita income was around RMB 6,000 (USD 774), though the village head had a personal income of RMB 17,000 (USD 2,193). The village has recently built a kindergarten, a home for the

elderly, and a clinic (which doubles as the family planning service center). Funds for these facilities came from the villagers themselves, the village committee and subsidies of the government. The key to the village's economic development - a cement road - was constructed by the Guilin and county governments in 2001. Before that, there was only a mud path that was nearly impassable on rainy days and villagers did not have access to outside markets or technical assistance from the government.

¶12. (U) Mushroom growing, which only began two years ago, is the village's major source of income, although the villagers also grow vegetables (such as winter melons) and run a nonferrous metal factory and a plastic factory. The winter melon crop and surplus vegetables largely go by truck to Guangdong for sale. The mushrooms are sold to Guangdong, Hunan, and are even air freighted to Russia through a Beijing trader. Since they do not have a mushroom processing industry, the villagers sell the mushrooms fresh once they are picked. The shift to mushroom farming was made after the market for Chinese chives (the previous cash crop) went down.

¶13. (U) A mushroom association has been set up in the village, to help marketing and to find buyers of the mushrooms; not all villagers are members and thus do not share in the profits. The association personnel go on the Internet to check mushroom prices in different places to find the most profitable sales location. The agricultural bureau's mushroom research institute said the wholesale price of mushrooms was around RMB 3.5 (USD 0.45) per jin (1 jin = 500 grams), while the retail price could be as high as twice that amount. The mushroom farmers obtain the mushroom spores from the local agricultural bureau at a low price - a RMB 2 (USD 0.26) sachet of spores can produce 20 square meters of mushrooms - and get technical support from the agricultural bureau's mushroom experts. Straw and dirt beds for mushroom growth are housed in plastic-wrapped, straw-covered structures, while villagers use natural manure instead of chemical fertilizer for growing the mushrooms.

COMMENT

¶12. (U) Guangxi's new infrastructure, commitment to development, and role as ASEAN's interlocutor and gateway to western China, combined with rising costs of doing business in Guangdong, make the province a good time for investment - or so is the pitch we are hearing from provincial officials. Industrialization and infrastructure development are favorite methods to draw investment,

GUANGZHOU 00000197 004 OF 004

and involvement in developing the latter generally results in a good economic payoff. However, the success of industrialization may depend more on industry type, since, for example, major cities in many provinces want to build automobiles at the same time the central government is encouraging automobile manufacturers to slow their expansion plans. Still, what is most needed is a significant increase in farm income in the near future. Despite several years of focused development to raise rural incomes, urban-rural income rates remain at a 3:1 ratio, a ratio expected to remain static through 2020.

GOLDBERG